

Message Text

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PAGE 01 LONDON 03922 140911Z
ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 L-03 H-01 PA-01 AGRE-00 /101 W
-----098419 141407Z /45

R 101719Z MAR 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4014
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY TOKYO

C O N F I D E N T I A L LONDON 03922

USEEC
USOECD

E.O. 11652: GDS
TAGS: ETRD, JA, UK
SUBJECT: BRITISH VIEW OF JAPANESE ECONOMY

REF: STATE 059136

1. WE CONVEYED THE SUBSTANCE OF REFTEL TO MICHAEL BUTLER, FCO, MARCH 9, EMPHASIZING THE IMPRESSION THAT WASHINGTON WISHES TO AVOID ANY RESULTANT APPEARANCE OF GANGING UP ON THE JAPANESE ALONG WITH THE IDEA THAT THE VARYING ESTIMATES OF THE MAGNITUDE OF A PROSPECTIVE JAPANESE CURRENT ACCOUNT SURPLUS DO NOT TOO MUCH CONDITION THE LINE TO BE TAKEN.

2. BUTLER SAID, IN COMMENT ON THE FIGURE WE (REFTEL) ATTRIBUTED TO RYRIE, THAT THE UKG SEES THE JAPANESE CURRENT ACCOUNT SURPLUS FOR THE NEXT JAPANESE FISCAL YEAR (APRIL-MARCH) AS ABOUT THE SAME AS FOR THE CURRENT
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PAGE 02 LONDON 03922 140911Z

YEAR, AROUND 12 BILLION DOLLARS.

3. HE SAID HE THINKS THE SIZE OF THE PROJECTED JAPANESE SURPLUS DOES MATTER; HE DOUBTS THAT IT WILL BE POSSIBLE TO RESTRAIN THE EUROPEAN/BRITISH REACTION IF THE JAPANESE SURPLUS NEXT YEAR CONTINUES AS LARGE. PROTECTIONIST PRESSURES ARE REALLY STRONG. HE SAID HE AGREES

AND HAS SAID REPEATEDLY THERE SHOULD BE NO APPEARANCE OF GANGING UP ON JAPAN, BUT JAPAN MUST BE PRESSED TO ACT. JAPAN UP TO THIS TIME IS MAKING NO SERIOUS ATTEMPT: A MINIMAL STIMULATIVE ACTION (THE TAX REDUCTION SHOULD HAVE BEEN MUCH LARGER), MINIMAL MEASURES TO OPEN IMPORT MARKETS, AND A "ROTTEN" OFFER IN THE MTN. THE JAPANESE, BUTLER SAID, HAVE BEEN TALKING NICELY AND DOING VERY LITTLE FOR YEARS.

4. BUTLER SAID HE WILL INSTRUCT THE BRITISH EMBASSY TO DISCUSS THE CURRENT FORECASTS AS SUGGESTED REFTTEL.

BREWSTER

NOTE BY OC/T: TELEGRAM DELAYED IN TRANSMISSION.

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NNN

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Disposition Approved on Date:
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